

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6400

BILL NUMBER: SB 141

NOTE PREPARED: Mar 27, 2003

BILL AMENDED:

SUBJECT: PERF Direct Deposit Notices.

FIRST AUTHOR: Sen. Dillon

FIRST SPONSOR: Rep. Avery

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill requires the Public Employees' Retirement Fund (PERF) to adopt a policy promoting direct deposit as the preferred way for members and beneficiaries to receive monthly benefits. It requires PERF to provide members and beneficiaries using direct deposit with written notice before a benefit amount changes, or once every 12 months if the benefit amount does not change.

Effective Date: July 1, 2003.

Explanation of State Expenditures: *Summary:* The initial cost to implement this program is estimated at \$72,234. However, PERF would save \$0.48 per month per member on mailing costs once this proposal is implemented. Based on about 30,000 notices sent out monthly, it would take about five months for PERF to recover its \$72,234 if all members switched to direct deposit. The actual time for cost recovery will depend upon the number of members who switch. The fund affected is the Non-Budget Administrative Fund for PERF.

Background Information: PERF's contractor estimates that it would require 820 hours to implement this proposal. The contractor charges PERF \$88.20 per hour. Below is the estimate PERF received from its contractor regarding the implementation of this proposal.

Preliminary Requirements:

Requirement 1: Requires the Public Employees' Retirement Fund (PERF) to allow retiring members using direct deposit to elect whether to receive a monthly written confirmation that the member's retirement benefit has been sent electronically.

Requirement 2: Requires that retirees not receiving a monthly confirmation receive written notice before the benefit amount changes.

Requirement 3: Requires that retirees receive a confirmation written notice once every 12 months if the benefit amount does not change.

Assumptions:

Some of the written confirmations might be sent after the changes have been made.

Members who want written confirmation want something more than the pay stub which is currently being sent.

The current legislative fix team will provide for the legislative cost schedule.

Estimated Time Frame & Costs

Requirement Analysis: 160 hours

Design/Coding/Testing: 580 hours

Impacted Components	Detailed Description	Estimated Design & Build Hours
Change to Direct Deposit form or New letter	Retiree needs to have some way to know that this is an option. If new letter, then a letter driver needs to be created.	40 hours
Tab Maintain Routing	Add checkbox for confirmation letter. Could possibly use EFT Notice indicator, which is currently used to send pay stubs.	16 hours
Table BE Fiduciary Acct	Add indicator field for confirmation letter, if EFT Notice indicator is not used.	16 hours
New batch program to send confirmation letter	Reads all retirees with EFT and confirmation letter indicator = TRUE or EFT Notice indicator = TRUE. This should be added to the Batch Payroll job stream.	160 hours
New letter for new batch program	Indicates that the member's benefit has been sent electronically.	40 hours
New batch program to inform other EFT retirees if their benefit amount has changed.	This should run monthly, and check either if the Payroll Adj Hist has changed, or possibly another table that indicates changes to benefits.	160 hours
New letter and driver for monthly batch program.		40 hours
New annual batch program to check if benefits have not months, for only EFT retirees not receiving changed in past 12 months. confirmation letter.	This will check Payroll Adj Hist for the previous 12 months, for only EFT retirees not receiving confirmation letter.	80 hours
New letter and driver for annual batch program.		40 hours

UAT: 80 hours

Total: 820 hours

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund.

Local Agencies Affected:

Information Sources: Steve Safafa of Convansys, Inc., 614-220-4426.

Fiscal Analyst: James Sperlik, 317-232-9866.